

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT: Report of Mr. Dillon to the NSC on
International Trade Control
Negotiations -- Background Information

1. This memorandum is for information only.
2. The Under Secretary of State for Economic Affairs, Mr. Dillon, will report to the NSC on Thursday, 21 August, the results of the recent Consultative Group/COCOM international trade control negotiations.
3. At Mr. Dillon's request, I sent him the attached memorandum to assist in his preparations for the NSC briefing (attachment 1). In his presentation, I understand he will probably use at least the last sentence which, in fact, is the most important statement in the memorandum. This sentence reads: "It is, moreover, the judgment of CIA that the recent reduction in coverage of the COCOM embargo could not result in a significant increase in the East-Soviet Bloc's overall military-industrial capability."
4. The basis for our judgment is outlined below.

a. RR prepared most of the intelligence relating to individual items proposed by the U. S. for control. Consequently, we are aware of the potential importance to the Sino-Soviet Bloc of individual items not accepted by the CG/COCOM forum for international embargo. Some of the items deleted from the international control lists will unquestionably be imported into the Bloc, and, as a consequence, the Bloc would gain certain advantages from the decontrol of these items. However, the aggregate effect of such imports by the Bloc, in our judgment, could not result in a significant contribution to the Sino-Soviet Bloc's overall military-industrial capabilities.

b. Given the size and composition of Bloc imports from the West--currently only about 1 percent of the Bloc's total output of goods and services, the present state of Soviet technology, and present Soviet military capabilities, this statement of probable benefits which could accrue to the Bloc seems to us very reasonable.

c. Finally, this statement is consistent with the last NIE on this subject, NIE 100-3-54 of 23 March 1954 (attachment 2). In fact, the NIE assumed a relaxation of controls generally more extensive than has actually taken place. Moreover, since

the NIE was written, Sino-Soviet Bloc industrial and military capabilities have grown substantially, thereby decreasing the relative importance of possible Bloc imports of decontrolled items.

ROBERT AMORY, JR.
Deputy Director/Intelligence

Attachments:

1. My memorandum to
C. Douglas Dillon,
18 August 1958 (Copy)
2. Paragraphs 5 & 6 from
NIE 100-1-54, 23 March
1954 (Copy)

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